

~~SECRET~~

DD / S REGISTRY
FILE 24 M 2-1

INSPECTOR GENERAL'S REPORT OF SURVEY
OF
THE OFFICE OF FINANCE

INSPECTOR GENERAL'S REPORT OF SURVEY
OF
THE OFFICE OF FINANCE
November 1967

S E C R E T

TABLE OF CONTENTS

SUMMARY	Page
INTRODUCTION.	1
THE ROLE OF THE DIRECTOR OF FINANCE	4
MANAGEMENT.	10
STAFFING AND PERSONNEL MANAGEMENT	12
The SF Career Service.	12
Recruitment and Training	16
The Age and Grade Structure of the Finance Career Service.	22
Retirement.	24
Unfilled Positions, Casuals, and Transients	26
Position Reclassification	28
Rotation	31
Re-evaluations of Custodians of Funds.	38
The Role of the Support Staff in Personnel Management. . .	40
RECORDS MANAGEMENT.	43
FINANCIAL TRANSACTIONS - PROCESSING AND RECORDS	44
LIAISON ASPECTS OF FINANCIAL OPERATIONS	50
INDUSTRIAL CONTRACT AUDIT	53
PROCESSING OF TRAVEL CLAIMS	55
Travel Regulations and Handbooks	57
Authoritative Decisions on Questions Concerning Travel . .	61
Disparate Practices in Paying for Travel and Per Diem. . .	64
Conclusions Concerning Travel Processing	65
ADMINISTRATION OF THE CIA RETIREMENT AND DISABILITY FUND. . . .	68
INFORMATION PROCESSING SYSTEMS.	79

S E C R E T

S E C R E T

SUMMARY OF FINDINGS AND CONCLUSIONS

The Role of the Director of Finance

1. The formal promulgation in Agency regulation of the mission of the Director of Finance states that he is "responsible for all financial operations of the Agency." In practice, however, many aspects of Agency financial operations are within the purview of the Director of Finance only tangentially or not at all. Ambiguities in the relationship between Finance and the rest of the Agency may have existed from the very beginning as an unavoidable consequence of compartmentation. For whatever reason, the Director of Finance is excluded from matters that should be of proper concern to him. He does very little in the way of financial analysis, which we feel should be one of his main responsibilities. We recommend revision of the statement of mission and functions of the Director of Finance to reflect more realistically what is expected of him.

Management

2. Management of the Office of Finance is highly centralized, markedly conservative, and quite rigid. It is not an office in which change comes easily nor in which creativity is encouraged. Over one-third of our report is devoted to the subject of personnel management, and we are highly critical of much of what we found.

S E C R E T

S E C R E T

The Finance Career Service

25X9 3. The Finance Career Service has a Career Service Grade Authorization of positions, of which are allocated to the Office of Finance at headquarters and are allocated to other Agency components. We see as one of the major problems facing the Director of Finance the need to create a work force with a composition such that it can meet the varying needs of the present and, as a corollary, build the broadly based talents essential to future management of the Career Service. The Career Service is now populated with an unduly large number of persons with narrow skills of limited utility, and the trend in the Service appears to be toward perpetuation of that pattern. Change will not come easily or quickly nor, we might add, of its own volition. What is required is a deliberate and diligently pursued effort to recast the Finance Career Service mold so as to attract personnel with potential for growth and to furnish them the incentive and the opportunity to develop their native talents.

25X9

Recruitment

4. The Director of Finance is interested primarily in recruits with accounting backgrounds. Almost all new Finance professional personnel are obtained by direct recruitment and almost none through the Support Career Training Program. We question whether an accounting background is essential for many of the positions in the Office

S E C R E T

of Finance. We believe that more emphasis should be placed on obtaining young officers with more broadly based aptitudes and interests who may be groomed for positions of management and leadership.

The Age and Grade Structure of the Finance Career Service

5. The Finance Career Service has a much older population than either the rest of the Support Services or the Agency as a whole. It has a heavy concentration of officers at the GS-12/13 level with an average age of 45.9 years. The average age of officers at the GS-9 to GS-11 level is 42.2 years; thus, they will be approaching the retirement zone closely on the heels of the large number of GS-12's and GS-13's. One-quarter of the present Finance work force either will be expected to retire or will become eligible for optional retirement within the next five years.

Position Reclassification

6. The Director of Finance hopes to find at least partial solutions to many of his problems of personnel management through upgrading of dozens of positions by position reclassification. Regardless of the merits of his plea for upgrading of slots, we cannot see position reclassification as anything but a short-range palliative for long-range ills arising from Finance's philosophy and methods of personnel management.

S E C R E T

Rotation

7. We encountered extensive and severe criticism of the operation of the rotational scheme by the Office of Finance. The thrust of those criticisms was to the effect that the finance officer is transferred just about the time he has really learned the job, that the transfer is often on very short notice, and that the replacement is slow in arriving. The lack of flexibility in the management of the Career Service, which is manifested in many ways, is perhaps most noticeable in the administration of the rotational mechanism. The crash requirement, which will always be with us, disrupts the rotational pattern, and Finance does not have the organizational or manipulative resilience needed to bring it smoothly back into shape.

The Role of the Support Staff in Personnel Management

8. We question whether the Support Staff of the Office of Finance makes the sort of contribution to planning and execution that one finds in most other Agency components. The support element must be an instrument of command, but it also should have the capacity to influence command decisions by infusing ideas drawn from knowledge of or experience with other ways of doing things elsewhere in the Agency. The Director of Finance has stated that he wants to upgrade the role of his Support Staff. We think it is worth a try.

S E C R E T

Financial Transactions - Processing and Records

9. In our last survey of an Operating Division of the Clandestine Services, we observed certain anomalies during our inspections of its field stations that led us to believe there was need for streamlining the Agency's mechanisms for financial administration. We examined the procedural aspects of financial operations at headquarters in this survey to see if the previously observed complexities were unique to field financial operations or whether they were a reflection of the operation as a whole. It may be that the system cannot be simplified--that the checks and balances are essential to detect and to eliminate error. It is our distinct impression, however, that the mechanism is error-prone in part because of its sheer unwieldiness. The Study of the Procurement Systems of the Central Intelligence Agency, which was made by a firm of specialists under Agency guidance, made numerous recommendations for improved efficiency of procurement operations. We believe that a similar study by a comparable group of specialists of financial paper processing and recordkeeping would be well worth the cost of the study.

Processing of Travel Claims

10. We examined the problems of processing travel claims quite closely--in part because we took with us to the survey a concern for

S E C R E T

this matter. The Inspector General, over the years, has been the recipient of a number of complaints or of appeals of settlement of claims, which upon investigation appeared to have arisen from defects or ambiguities in interpretation of travel entitlements.

a. We found evidence of much confusion and a great deal of lost time resulting from lack of familiarity with changes in travel regulations, new travel forms, and the like.

b. There is little uniformity within the Agency on payment for travel and of per diem at rates less than the established maximums. We found reimbursements ranging from "something out of pocket" to "all that the law will allow." We are unable to see the rationality in a system that permits such extremes to exist side by side within a single agency.

c. There is no single point in the Agency to which technical questions on travel and transportation may be directed for an authoritative answer. The particularly troublesome cases are those arising from provisions of Agency regulations that may be interpreted either for or against the claimant and which, legally, could be decided either way.

We think an answer lies in a well ordered and vigorous attack on the whole range of problems associated with travel processing. We recommend the establishing of an Agency Travel Policy Committee,

S E C R E T

patterned after that in the Department of Defense, with broad responsibilities and authorities in the field of travel and transportation.

Administration of the CIA Retirement and Disability Fund

11. Although the procedures during the first few years have been rather informal, we believe that the Fund has been adequately administered and is now well invested. All estimates, however, point to an imminent increase from the [] now in the portfolio to about []-to which will be added an annual surplus of over [] for a number of years to come. The FY 1967 Projected Estimate of Fund Activity predicts a principal fund of [] by 1980, and that sum may well be exceeded. The number of annuitants and their total annual benefits may triple in the next three or four years. These factors point up the need for a more formal method of administering the Fund, particularly the long-range investment program. We have recommendations toward that end.

- 7 -

S E C R E T

S E C R E T

INTRODUCTION

1. The last Inspector General survey of the functions now performed by the Office of Finance was made in 1954 when the present Office of Finance was part of what was then known as the Office of the Comptroller. We ordinarily are able to judge progress in attaining long-range goals by comparing findings in a current inspection with those of the last report of survey of a component. In this case, the results of an inspection made so long ago of a component that is now so different are of little pertinence to our present effort.

2. The present inspection was made by a three-man team consisting of two members of the Inspection Staff and the former Assistant Deputy Director for Support who was brought back from retirement under contract specifically to participate in this survey. Although the last report of inspection of the finance function was of little value to the inspection team, the inspectors found that other, more recent reports of survey did pertain, at least in part, to the functions of the Office of Finance. Principal among these is A Study of the Procurement Systems of the Central Intelligence Agency. That report and various others were reviewed, as well as applicable regulations, handbooks, and other issuances. We did not attempt to interview all employees of the Office of Finance. We did, however, interview

S E C R E T

S E C R E T

all available officers in positions of responsibility in the Office of Finance, a representative sampling of personnel in all grades in all Finance components, and many senior personnel in other offices who are knowledgeable of the Office of Finance or of financial operations in general.

3. We did not intend that this be a survey of the financial management of the Agency nor an analysis of how the Agency spends its funds. We confined ourselves to an examination of the role of the Director of Finance in the Agency's financial operations and of the performance of his Office in discharging its responsibilities under appropriate Agency regulations and directives.

4. In our many interviews of officers outside of the Office of Finance we found none who questioned the integrity of the Agency's mechanism for accountability and control of funds. All who had dealings with the Monetary Division and with the Industrial Contract Audit Division spoke well of their performances. Everyone seems to take for granted the work of the Compensation and Tax Division in getting out our pay checks. We know personally several senior officers who rose through the Finance service and who now are in positions of responsibility elsewhere in the Agency.

5. Yet, in spite of these plus factors, we find that the Office of Finance has a generally poor image. It is looked upon as an office that has stood still while the Agency as a whole has moved forward.

S E C R E T

Many of the officers who began in Finance and have since gone on to other jobs tend to view transfer more as a means of escape than as advancement. Improving the image is a desirable goal, but it is not an end in itself. Finance's image is an external reflection of its internal mode of operation and as that mode changes, if it does, so will the image change.

S E C R E T

S E C R E T

THE ROLE OF THE DIRECTOR OF FINANCE

1. The Director of Finance does not involve himself aggressively in financial management issues outside the narrow field of accounting -- in areas such as process and systems improvement, ^{OR} ^{central cost} covert funding, evaluation of current techniques, studies of cost effectiveness, and generation of reports useful to management in program evaluation.

The Director of Finance himself feels that he has no charter to analyze costs or cost effectiveness, to judge the validity of expenditures (as opposed to mere legality), or to contribute to the preparation of budgets (other than that for his own office). In our view, the charter of the Director of Finance could be interpreted as granting him authority to do all of these things but is actually interpreted to deny him most of those authorities.

2. The formal promulgation in Agency regulation of the mission of the Director of Finance states that he is "responsible for all financial operations of the Agency." We realize that this statement was written by the Director of Finance himself, but the fact that it was approved for publication attests to its acceptance throughout the Agency. In practice, however, many aspects of Agency financial operations are within the purview of the Director of Finance only tangentially or not at all. We found the Director of Finance troubled over his exclusion from matters that he felt should be of proper concern to him. This feeling does not stem from a thirst for power but from honest frustration in the face of ambiguity.

S E C R E T

3. The frustration may not be of recent origin. Ambiguities in the relationship between Finance and the rest of the Agency may have existed from the very beginning as an unavoidable consequence of compartmentation. The evidence we have suggests rather strongly that, regardless of the duration of the problem, its dimensions today differ from those of earlier years.

4. Originally, budgetary and financial operations were combined in what was known as the Office of the Comptroller, which was subordinated to the Deputy Director for Support. Effective 1 April 1962, the DDS was relieved of responsibility for directing and coordinating the activities of the Comptroller, who thereafter reported to the Office of the Director. Effective 2 July 1962, the mission of the Comptroller, which until then had included responsibility for financial analysis, was expanded to include responsibility for program analysis. Effective 18 November 1963, there was a massive realignment of responsibilities for budgeting, financial operations, and program analysis. The Office of the Comptroller was made an integral part of the Office of the Executive Director, and the Executive Director became the Agency's Comptroller. The Office of Budget, Program Analysis, and Manpower (BPAM) was established, with its Director reporting to the Executive Director-Comptroller. An Office of Finance was established, with its Director reporting to the Deputy Director for Support. Simultaneously with that reorganization,

S E C R E T

the mission and functions of the former Office of the Comptroller were reapportioned among BPAM (budgeting and program analysis), DD/S&T (automatic data processing), and the Office of Finance (financial operations, accounting systems, and control of funds, assets, and liabilities).

5. The present alignment of functions, which separates planning, programming, and budgeting from financial operations, is similar to that found elsewhere in government and in large businesses and, logically, places control of programs and of manpower in the hands of persons authorized to act instead of to recommend. Yet, something seems to be missing: the bridge between financial operations and program planning. The financial management issues, to which we refer in the first paragraph of this section, largely concern this gap, which we will here call "financial analysis."

6. Financial analysis once loomed large enough in the responsibilities of the Comptroller to be named as one of his three main missions. We find it listed in each revision of the statement of mission and functions of the Comptroller beginning in February 1958 (the earliest version we have) and continuing until March 1964. In July 1962 program analysis was added to the mission and was combined with financial analysis. The Comptroller had immediately subordinate to him a unit known as a Financial Analysis Staff, which became the Program Analysis Staff when program analysis was added to the mission.

MISSION

The Comptroller.....is responsible for all budgetary and financial operations of the Agency;
The Director of Finance is responsible for all.....financial operations of the Agency;

for the.....establishment.....and maintenance of accounting systems;
for the development, establishment, supervision, and maintenance of accounting systems; and

for the control of all funds, assets, and liabilities; for providing management with program
for the control of all.....assets and liabilities.

and financial analysis; and for the development, preparation, and execution of the Agency budget.

FUNCTIONS

The Comptroller.....shall: Conduct program and financial analysis; issue analytical reports
The Director of Finance shall: Conduct.....financial analysis.....

for planning purposes; and render advice.....on the financial aspects of program plans
.....and render advice, as appropriate, on the financial aspects of program plans

and operations.
and operations.

S E C R E T

With the establishment of BPAM in November 1963, it absorbed the Program Analysis Staff. Program analysis and financial analysis thereupon disappeared from the statement of the mission of the Director of Finance. Financial analysis remains as one of the enumerated functions of the Director of Finance, but we find very little of it being done. The little there is exists at the branch level.

7. It might be held that financial analysis is implicit in program analysis, but we believe that there is a distinction and that at least some effort has been made to maintain it. On the facing page is a comparison of statements of mission and of one function for the Comptroller prior to the creation of BPAM and for the Director of Finance thereafter. The statement pertaining to the Comptroller is in black and to the Director of Finance in red. It seems clear that it was intended that financial analysis remain with the Director of Finance.

8. Other ambiguities in the role of the Director of Finance stem from fragmentation of his stated responsibility for all financial operations of the Agency. An example is the development, review, and evaluation of covert funding arrangements. Before the recent compromises of Agency funding techniques, covert funding was largely the responsibility of the Chief, Central Cover Staff of the Clandestine Services. The Director of Finance has a representative

S E C R E T

of his Monetary Division working with Central Cover on covert funding, but he has no charter for this--except as may be implicit in his broadly stated responsibility for financial operations.

9. On the other hand, there are aspects of financial operations for which he does have a clear charter but in which he plays a limited role. An example is the limited participation of the Director of Finance in the financial management of proprietaries. One of his functions, as established in Agency regulation, is to "develop, establish, and technically supervise, in cooperation with applicable Agency components, necessary accounting systems, financial reporting, and funding procedures and fiscal controls. . . for proprietary, subsidy, and other special projects." There is basic disagreement over the proper role of Finance's Proprietary Systems and Accounts Division (PSAD)--whether it should merely keep the books or whether it should have a real hand in financial management. We might note that as of June 1967 PSAD had insufficient qualified manpower to do much more than carry out the bare bookkeeping and accounting function. The Proprietary Study Group, which made its study concurrently with this survey of the Office of Finance, looked closely at financial management of proprietaries, especially the role of service proprietaries. We feel that the Director of Finance should be allowed to exercise greater influence on the financial services of all proprietaries than he now does. The Study Group's report, which has already been issued, has recommendations to that effect.

S E C R E T

10. Certain, in fact many, of the ambiguities in the role of the Director of Finance do not arise from imperfections in the written statement of his mission and functions. We suspect that part of the difficulty lies in an uneasy adjustment to the changed mission of the Office of Finance. Responsibilities it once had for budgeting and for program analysis are now lost to it, yet much of the work is still done by Finance careerists on assignment to OPFB. We have seldom found it profitable to seek bureaucratic solutions to problems, but in this case we think a bureaucratic approach may help. The Director of Finance is now, and we believe has been from the beginning, assigned responsibilities that he is not permitted to carry out. Historically, the statement of his mission and functions has described what he thinks his role should be. It has not described the role as it actually existed. We believe it is time to rewrite the statement to reflect what the Director of Finance is really expected to do--making it clear to those concurring in the statement that they do so in the understanding that the Director of Finance will be expected to exercise the responsibilities assigned to him.

It is recommended that:

No. 1

The Deputy Director for Support cause to be issued a revision of Agency Regulation [] Organization, Office of Finance, assigning to the Director of Finance those responsibilities and authorities agreed among the Deputy Directors as being properly his, specifically to include financial analysis as one of the principal elements of his mission.

25X1

S E C R E T

MANAGEMENT

1. Management of the Office of Finance is highly centralized, markedly conservative, and quite rigid. Finance is not an office in which change comes easily nor in which creativity is encouraged. This is a harsh judgment, but it is one that is supported by our own observations and by the comments of Finance employees we interviewed. Many of our findings and conclusions set forth in subsequent sections of this report are concerned with the managerial style of the office and with its consequences. These brief examples are illustrative:

a. In fiscal year 1967, eleven employee suggestions were made within the Office of Finance; Finance endorsed only one for approval--for an award of \$30. This compares with 23 suggestions made within the Office of Communications, of which nine were adopted for a total of \$1,200 in awards; 33 made within the Office of Logistics with 15 adopted for a total of \$2,860; and 11 made within the Office of Security with five adopted for a total of \$1,255 awarded. Suggestions for simplified Time and Attendance procedures, for example, were made in 1956 but had not yet been acted upon as of 6 July 1967, eleven years later. The reason given in response to our query was that "this involves a regulation change."

S E C R E T

b. The establishment of the Covert Tax and Allowance Committees, the concept of commuted travel, and the decentralization of certification procedures, which are widely viewed within the Agency as decided improvements, were initially resisted by the Office of Finance.

c. The Office must administer a complex rotational scheme in which one-half of Finance careerists serve in assignments away from the Office of Finance. That and other personnel matters are almost wholly controlled by the "front office." The Director of Finance estimates that his deputy devotes 75 percent of his time to personnel administration. The office does not have a professional personnel specialist. (As we will note in a later section on personnel management, many of the components to which these finance officers are rotated are quite critical of the way rotation is managed.)

2. We cannot, in fairness, say that the managerial style of the Office is deliberately intended to operate as it does. It is likely that it has evolved gradually over the years as a result of the concentration of expertise in the hands of a very few. The four senior officers in the Office of the Director have 130 years of government service among them and an average age of 56 years. They are solidly experienced in financial operations. Not unnaturally, they tend to stick to methods they have used and with which they are thoroughly familiar.

S E C R E T

STAFFING AND PERSONNEL MANAGEMENT

1. The most serious of the problems afflicting the Office of Finance and the SF (Finance) Career Service are centered in the area of personnel management. The Director of Finance hopes to find at least partial solutions to many of these problems of personnel management through upgrading of dozens of positions by position reclassification. Regardless of the merits of his plea for upgrading of slots, we cannot see position reclassification as anything but a short-range palliative for long-range ills arising from Finance's philosophy and methods of personnel management.

The SF Career Service

2. The SF (Finance) Career Service has a Career Service Grade Authorization of positions, which are allocated as follows:

Office of Finance (headquarters)

<input type="text"/>	<input type="text"/>
----------------------	----------------------

The permanent manpower ceiling of the Office of Finance is positions, and as of 15 June 1967 there were people assigned to the Office. Thus, just about one-half of the personnel with SF Career Service designations are assigned to positions on the T/O's of other Agency components.

S E C R E T

25X1 3. The SF Career Service is constituted along conventional lines as specified in regulation The Director of Finance is the Head of the Service and is supported by a Career Service Board. The Deputy Director of Finance is chairman of the Career Service Board, and the voting membership consists of the division chiefs, the chiefs of the Support and of the Policy and Planning Staffs, and a designee of O/PPB. The Administrative Officer of the Office of Finance (an SF careerist) is a nonvoting member providing technical advice and assistance to the Board.

4. We often find that the Career Service Board (or Panel or Committee) of a component we are inspecting is not held in very high esteem by those who do not participate in its deliberations. We have come to expect this, but we were not prepared for the frequency nor the intensity of criticisms made by Finance careerists of their office's career development program. The views of these people cannot be ignored, because many of them have worked intimately with personnel of other Career Services under circumstances that enabled them to see at close range the workings of other career development programs. They conclude that Finance's career development program is appreciably less effective than those administered by other Career Services. Our own examination of the Finance career development program and comparison of it with other programs of which we have knowledge leads us to the same conclusion.

S E C R E T

5. One of the main sources of discontent is the promotion policy followed within the Finance Career Service. In general, an employee is not considered eligible for promotion unless his grade is lower than that of the position he occupies. This concept, which is in the tradition of the old-line competitive civil service, is not consistent with promotion policies in most CIA Career Services. Position-oriented career planning has several ill effects. Perhaps the most damaging is that the flexibility essential to the career development of the promising individual is hard to maintain in the face of the rigidity of the T/O structure. The Director of Finance is seeking to gain additional flexibility by upward reclassification of selected positions. We doubt that a long-range solution lies in that direction. Even if he were granted the higher grades he seeks, in the not too distant future the average personnel grade would again approximate the average position grade, and again a means would have to be found for attaining flexibility.

6. One of the consequences of Finance's position-oriented promotion policy is that a surprising number of experienced finance officers are reluctant to accept overseas assignments. The reason is that the finance officer who goes abroad to fill a position carrying the grade he has already attained views his promotion prospects as virtually nil while overseas. He understands that he cannot be promoted as long as he occupies that position, and he cannot be shifted to another position until he has completed his overseas tour.

S E C R E T

7. Another adverse effect of position-oriented career planning is that it tends to emphasize the development of specialized technical skills at the expense of general managerial skills. The individual sets his sights on a position that allows margin for promotion and then begins acquiring or polishing the technical skills that would qualify him to carry out the duties of the position. Once he has begun to specialize, he sees simple succession in the same or a closely related specialty as the clearest avenue for continued advancement. A large number of Finance careerists fear that their service is fast becoming one of technicians with few opportunities for development of broad experience.

8. We are not advocating disregard of the necessary restraints imposed by position and grade ceilings. What we do urge is that the man best qualified for advancement be the one who is promoted, regardless of the position he may occupy at the time. Other Career Services do it, and it works. It can be argued that the Finance approach assumes that the man best qualified for promotion has been identified in advance and has been moved to a position with headroom before he is due for promotion. The flaw, as we see it, is that the T/O becomes the master of career planning rather than its tool.

S E C R E T

It is recommended that:

No. 2

The Director of Finance seek the assistance of the Director of Personnel:

a. in exploring with the Heads of other Agency Career Services prevailing practices in accommodating career development programs to the restraints of position and grade ceilings, and

b. in adapting for use in the Finance Career Service those techniques that will permit departure from existing inflexibilities in the Finance career development program.

Recruitment and Training

9. The Office of Finance obtains almost all of its new professional personnel through direct recruitment by the Office of Personnel. At the time of our inquiries, the SF Career Service was overstrength by four, but there were 32 professional/technical applicants and ten payroll clerks being processed for entrance on duty. Based on past experience, it may be anticipated that few of those processed for employment will actually enter on duty. For example, during the period June 1966 - May 1967, only 20 of 255 applicants survived the review process and chose to accept employment. Forty-eight percent of the applicants who survived file review cancelled after their processing had been initiated.

10. The Government has recognized the tight labor market as regards personnel with an interest in and qualifications for work

in the finance field by establishing a special pay scale in the accounting series for those at the GS-5 through GS-9 level who meet certain basic criteria. We found ☐ members of the SF Career Service being paid at the higher GSF rates. The demand for qualified junior finance professionals can be illustrated by comparing the GSF pay scale with that of the regular General Schedule:

25X9

<u>Grade</u>	<u>GS</u>	<u>GSF</u>
5/1	\$5,331	\$6,387
6/1	5,867	6,857
7/1	6,451	7,303
8/1	7,068	7,538
9/1	7,696	8,218

11. The Director of Finance has levied a requirement for ten Support CT's for 1967 "whose major education and/or experience is in the finance field and whose basic career interest is finance; those holding a degree in accounting are preferred." Experience thus far suggests that the requirement is unlikely to be met. Whether by design or from lack of choice, the Office of Finance has obtained an insignificant number of its new professionals through the Support CT Program. We found only two members of the SF Career Service who had been through the Support CT or JOT Programs.

a. One SF careerist now assigned to the Office of Planning, Programming and Budgeting entered the Agency through the JOT Program.

S E C R E T

b. One SF careerist was an internal selectee and returned to the Office of Finance upon completion of Junior Officer Training.

c. Three other SF careerists were internal selectees and have completed the CT Program, but none of them has yet elected to return to duty with Finance.

d. Ten Support CT's have been assigned to the Office of Finance, but none of them has elected to become a member of the SF Career Service.

25X9 e. The first five Support CT classes completed since the spring of 1965 graduated ☐ officers who are still Agency employees. Fourteen of them have been assigned to specific career services. The other ☐ are still categorized as SD, 25X9 the career designation assigned to a Support CT until he becomes a member of an individual career service. There are no indications that any of these ☐ SD career trainees intends to elect Finance as his career service. (Nor is there any indication that the SF Career Service is interested in any of them becoming an SF careerist unless he has the prerequisite accounting background. 25X9

12. The Director of Finance states that he is interested primarily in recruits with accounting backgrounds. We question whether an accounting background is essential for many of the positions in the Office of

S E C R E T

Finance. We believe that an interest in and an aptitude for finance work would be sufficient qualification for many of these positions. Concentration on recruitment of persons with accounting backgrounds carries with it the risks of hiring people who are overqualified for the positions they will occupy for a number of years and of building a service overpopulated with technicians. We believe that more emphasis should be placed on obtaining young officers with more broadly-based aptitudes and interests who may be groomed for positions of management and leadership--in other words, through the Support Career Training Program.

It is recommended that:

No. 3

The Deputy Director for Support instruct the Directors of Finance, of Personnel, and of Training:

a. to review the requirements of the Director of Finance for recruitment of professional employees for the Finance Career Service, and

b. to submit to the Deputy Director for Support for approval their joint recommendations as to measures necessary for the fulfillment of a significant portion of Finance's requirements for new professional personnel through the mechanism of the Career Training Program.

13. The SF Career Service has a good record of participation in Agency training programs. This is especially true of the external programs. Employees have attended the Harvard Advanced Management Program, the Industrial College of the Armed Forces, Industrial War College lectures, and various Civil Service Commission courses. In

S E C R E T

S E C R E T

fiscal year 1967 tuition was paid for two employees to attend ADP courses and for three to attend accounting courses--all at the college level. The Office of Finance was the pilot component for office-wide study of the Managerial Grid.

14. Review of records reveals participation by Finance careerists in the following internal training courses that are not specifically oriented toward finance work:

a. Mid-Career Executive Development Course: 14 have attended since 1963.

b. Support Services Review (Trends and Highlights Course): 34 have attended since December 1966.

c. ADP Orientation: four in fiscal year 1967.

d. Senior Management Seminar: two in fiscal year 1967.

e. Introduction to Intelligence and Introduction to Communism: 12 new professional employees have completed both courses.

f. Clerical: a number of employees have attended shorthand and typing classes to improve their clerical skills and have taken the shorthand and typing qualifications tests.

15. The Office of Training offers a three-weeks' course, Field Finance and Logistics, for finance careerists and for other employees who are to be assigned as operations support assistants and be required to maintain budgetary, financial, and property records at Class B or C/

S E C R E T

Type II or III stations. There are a variety of other courses designed for employees who are to be assigned overseas in support of operational activities. The Office of Finance has its own on-the-job training program for new employees, GS-7 and above. This training lasts for 19 weeks, with seven weeks spent in the Accounts Division, four weeks in the Monetary Division, and eight weeks in the Certification and Liaison Division.

16. There is not, however, a formal training course specifically tailored to prepare an SF careerist for assignment as finance officer of a Class A Field Station. The assumption is made that before a finance officer is assigned to a Class A Station he will have had sufficient experience within the Office of Finance to qualify him for the responsibilities of the position. Some are sent to the

25X1 to observe the operation of that model Class A/Type I station. From our interviews it is apparent that many of the finance officers themselves see a real need for better organized and more comprehensive training specifically keyed to the functioning of a Class A station. Those who most feel the need are officers who have advanced through specialization in narrow fields (budget and fiscal work in an operating division is a specific example).

It is recommended that:

No. 4

The Director of Finance, in consultation with the Director of Training, have established, either within the Office of Finance or the Office of Training, a scheduled or tutorial training course designed specifically to qualify a Finance careerist to serve as finance officer of a Class A field station.

S E C R E T

17. We estimate that about 50 finance careerists are enrolled at their own expense in professional courses outside the Agency. They view this additional schooling as being for the purpose of increasing the level and scope of their professional qualifications. Many of these employees with whom we spoke feel that career planning within the Office of Finance does not give sufficient recognition to the initiative shown by the individual in privately acquiring or improving skills of value to the Agency. This is not a problem that is unique to the Office of Finance; we have encountered it elsewhere in the Agency. We are not aware of any workable formula by which the worth of this privately-pursued education can be measured against job performance factors. We do feel, though, that it should be taken into account in career planning.

The Age and Grade Structure of the Finance Career Service

18. A senior officer of another component to which the Office of Finance regularly furnishes finance officers remarked to the inspection team that "the SF Career Service seems to be bankrupt in talent in the GS-9 and GS-11 categories." Although he was speaking of direct observation of finance personnel assigned for service with his component, we assumed that the remark was likely a deliberate overstatement made for effect. We took note of the comment, however, as a point we would later attempt to confirm or refute from examination

25X9

Approved For Release 2003/04/29 : CIA-RDP84-00780R002100170026-5

Approved For Release 2003/04/29 : CIA-RDP84-00780R002100170026-5

S E C R E T

of the structure of the SF Career Service. We find that the statement has substantial basis in fact.

19. Although the average grade of incumbents of SF Career Service positions is identical with the Agency average grade, the distribution of grades within the SF Career Service differs quite markedly from that of the Agency as a whole. The chart on the facing page compares a segment of the grade distribution of SF careerists with the same segment of the distribution for the entire Agency (including Finance). To suppress the fluctuations caused by the little-used GS-8 and GS-10 grades, we combined grades 8 with 9, 10 with 11, 12 with 13, and 14 with 15. As can be seen, both curves peak at GS-12/13, but Finance has a decidedly larger percentage of its professional employees at the GS-12/13 level and a somewhat smaller percentage of its professionals in grades 8 through 11 than does the Agency as a whole. What this amounts to is that Finance, in comparison with the rest of the Agency, has a "surplus" of GS-12's and -13's to replace and a "deficit" of GS-9's and -11's being brought along.

20. Mere numbers do not tell the whole story, however. The chart on the following page plots average age by grade for the SF Career Service, for the Support Services, and for the agency. The average age of SF careerists in each grade is higher than the averages for either the Support Services or the Agency as a whole.

25X9

Approved For Release 2003/04/29 : CIA-RDP84-00780R002100170026-5

Next 1 Page(s) In Document Exempt

Approved For Release 2003/04/29 : CIA-RDP84-00780R002100170026-5

S E C R E T

What is more significant is that the disparity is most marked in grades 7 through 10. The average age of those in grades 12 and 13 is 45.9 years; the average of those in grades 9 through 11 is 42.2 years. Thus, not only is there a relative deficit in number of officers presumably being groomed to move into positions now occupied by GS-12's and -13's, but those junior-grade officers will be approaching the retirement zone closely on the heels of the mass of GS-12's and -13's.

Retirement

21. The chart following page 23 reveals that the average age of Finance careerists at each grade level is higher than the averages for the Agency as a whole. The difference can be portrayed in another way: by age groups rather than by grade groups. The chart on the facing page compares distributions by age groups for three categories of personnel, GS-7 and above: Finance Career Service, Support Services, and entire Agency. The graph shows that the Finance Career Service has a much older population than either the Support Services or the Agency. The impact of this older average age on retirement expectations is revealed in the following tabulation:

S E C R E T

SF Career Service Grade Authorization

CIA Retirement Participants

Eligible for retirement now

Fifty years old but do not yet meet service requirements

Will be 50 years old within the next five years

Sub-total

CSC Retirement Participants

Will be expected to retire within the next five years

Will be eligible to retire within the next five years (55/30)

Sub-total

Total

25X9

These figures show that almost precisely one-quarter of the present Finance work force either will be expected to retire or will become eligible for optional retirement within the next five years. We do not know how many of those employees becoming eligible for retirement will choose to retire at the earliest age they may without reduction in earned annuity. Neither does the Office of Finance.

22. Prospective retirements in the Office of Finance should be a matter of real and immediate concern to Office management. We believe that the Director of Finance should begin now to assemble and to maintain on a continuing basis data on the retirement plans

S E C R E T

S E C R E T

of all SF careerists in or nearing the zone of retirement eligibility. It should be made clear that the data is being assembled solely for purposes of orderly planning and not as a means of exerting pressure on personnel to retire earlier than specified in Agency regulations.

It is recommended that:

No. 5

The Director of Finance assemble initially and maintain on a continuing basis information on the retirement expectations of all Finance careerists who are in or are nearing the zone of eligibility for optional retirement, making it clear to the employees concerned that the information is needed for orderly personnel planning and not as a means of exerting pressure upon employees to retire earlier than expected under existing Agency policy.

Unfilled Positions, Casuals, and Transients

23. The doubts we have as to the ability of the Director of Finance to fill upcoming vacancies arise in considerable part from data on current staffing that we assembled during the course of this survey. We find a disturbingly large number of supervisory positions either vacant or filled by persons who are only acting. We also noted that a rather large number of positions were filled with "casuals" or "transients."

a. The Compensation and Tax Division has been headed by an acting chief since November 1966. The regular chief has been serving as acting chief of support for the office.

b. The Accounts Division had only ☐ on duty against a total of ☐ positions.

25X9

S E C R E T

(1) Three of the four positions in the Analysis and Reports Branch were vacant.

(2) Two of the six positions in the Property Accounting Branch were vacant.

c. The Certification and Liaison Division was 21 percent understrength.

(1) The position of Deputy Division Chief was vacant.

(2) The position of Chief, [] was vacant.

25X1

(3) There was no deputy in the [] Section.

25X1

(4) The position of Chief, [] Section was vacant.

25X1

(5) The Field Station Support Branch had only ten on duty against 18 positions. The deputy was acting as branch chief.

d. Personnel from other sections of the Accounts Division were detailed to assist in the work of the Analysis and Reports Branch (which had an on-duty strength of one officer against a T/O of four).

e. The Certification and Liaison Division has traditionally borne much of the brunt of vacancies created by rotation of personnel to and from the field. We found a number of "casuals"

S E C R E T

working at jobs with responsibilities far below those normal for their grades.

Position Reclassification

24. The Director of Finance maintains that a number of the positions to which SF careerists are assigned carry grades that are too low for the responsibilities of the incumbents. He attributes many of his problems of personnel management to what he sees as an inequitable grade structure. There was a major reclassification of SF positions approximately two years ago, but the Director of Finance believes its effect was to create an imbalance between the grades of finance slots at headquarters and those in the field.

The Deputy Director of Finance submitted a memorandum to the Office of Personnel on 26 May 1967 requesting the reclassification of some ☐ positions, the majority of which are at overseas stations.

25. We met with the Chief, Position Management and Compensation Division, Office of Personnel, and with key classification specialists to discuss their reactions to Finance's plea. It is evident that there is a fundamental disagreement between the Offices of Personnel and of Finance, and there appears to be little prospect of their working out their differences.

26. We do not consider ourselves qualified on the basis of our limited exposure to the problem to pass judgment on the merits

S E C R E T

of any of the arguments. We did observe a few instances of what appear to us to be anomalies in the Finance grade structure.

a. The new professional Finance employee begins his on-the-job training program in the Voucher Review Section (Accounting Control Branch, Accounts Division). The section finds it difficult to retain permanent employees because of the nature of the work, which requires accuracy and attention to detail but offers little variety. In our view, some of the positions are unrealistically classified. The work is essentially clerical, and the present grade structure results in the assignment of overly qualified personnel who soon become bored and dissatisfied.

b. Within the Compensation and Tax Division, the normal progression of personnel is from the Vouchered Payroll Branch to the Confidential Funds Staff Employee Payroll Branch. The duties of the payroll clerk in the latter branch are appreciably more complicated than they are in the former; yet, payroll clerk positions in both branches are established at the GS-5 level. The Director of Finance has requested that the basic grade of payroll clerk in the Confidential Funds Staff Employee Payroll Branch be raised to GS-6. It appears to us that a case can be made for reclassification.

S E C R E T

c. Chief of Support for the Office of Finance is established as a GS-14 position. If the Director of Finance concurs in our later recommendation that the Chief of Support be assigned broader responsibilities and authorities in formulating and carrying out administrative and personnel policies for the Office, then we think it appropriate to raise the grade of the position to GS-15.

The examples cited above should not be construed as being in support of or in dissent from Finance's plea for broad reclassification. They are drawn from observation of the functioning of the Office as a whole and are offered merely as a contribution to deliberations now under way. Although we thought it better not to involve ourselves deeply in a problem that is already receiving attention, we do think it appropriate for us to concern ourselves with finding some sort of solution with a minimum of delay. Actions to seek solutions to too many problems of personnel management of the SF Career Service are being held in abeyance pending decision on revision of the grade structure. From our conversations with those involved, it appears to us that the Director of Personnel and the Director of Finance have reached impasse. We see no solution short of referring the disagreement to the Deputy Director for Support for resolution.

S E C R E T

It is recommended that:

No. 6

The Deputy Director for Support require to be submitted to him for review of and decision between the proposal of the Director of Finance for reclassification of certain positions in the Finance Career Service and the objections of the Director of Personnel to that proposal.

Rotation

27. We have earlier shown the allocation of the ☐ positions of the Finance Career Service Grade Authorization. It is repeated here, because we wish to discuss certain of the implications of that allocation.

25X9

25X9



This breakdown reveals that the Finance Career Service is responsible for providing Finance careerists for ☐ positions outside of the Office of Finance, and that ☐ of those external positions are at overseas stations.

25X9

25X9

28. We made quite extensive inquiries among using components regarding their experiences with finance specialists assigned to finance positions outside of the Office of Finance. Some felt that the Office of Finance did not screen its candidates carefully enough and that the using component had to be wary of the nominee who might

S E C R E T

lack the qualifications for the job or who might be unsuitable in some other way. In general, though, the "customers" spoke well of the performance of Finance personnel offered to and accepted by them.

29. The criticisms we encountered of the staffing of external finance positions (and they were frequent and strongly voiced) centered on the operation of the rotational scheme by the Office of Finance. The thrust of these criticisms was to the effect that the finance officer is transferred just about the time he has really learned the job, that the transfer is often on very short notice, and that the replacement is slow in arriving. The cases that we were able to identify and run down proved to be instances of having to fill unexpected vacancies on short notice. It seemed, though, that an inordinately large number of the "customers" with whom we spoke have experienced disruptions of their support apparatuses as a consequence of Finance's "emergency" shifts of Finance personnel.

30. We encountered a variation on this criticism in our interviews of Finance careerists. A good many of them feel that they know too little about planning for rotational assignments involving them, particularly as regards transfer overseas, and that the little they know is learned too late in the planning cycle. We suspect that the bulk of these criticisms came from officers who had been personally inconvenienced by short-notice transfers occasioned by emergency personnel requirements, but, again, the prevalence of the

S E C R E T

criticisms suggests either a weakness in the management of the rotational scheme or a deficiency in communication between those doing the career planning and those affected by it.

31. Slightly more than one-sixth of the Finance Career Service positions to be filled are at overseas stations. Of the employees assigned to the Office of Finance itself, it is estimated that 64 percent are not available for overseas service. Within the entire SF Career Service, about one-half are not rotatable to overseas positions. The individual may be unavailable for rotation for any of several reasons, including medical hold, personal circumstances, age or grade factors, lack of qualifications, or specialization in a field that has no overseas application. The percentages given above need some qualification. They do not differentiate between professionals and clericals. The positions outside of the Office of Finance are preponderantly professional; hence, a clerical in the Office of Finance would not be eligible for rotation to most of them. In fact, the distinction between clerical and professional cannot always be made, because the employee who may one day be considered a professional may progress through a series of assignments in positions that are categorized as clerical.

25X9

32. Although the figures are not susceptible to precise interpretation, they do reveal quite clearly that the Finance

S E C R E T

Career Service is hampered by having to plan and to operate a rotational mechanism that can draw from only a portion of the Career Service Authorization. It appears to us that the rotational base, although appreciably smaller than the Career Service Authorization, is large enough to support an orderly scheme of rotation. We are at somewhat of a loss in trying to discover why it does not work better than it does. It is likely that the imperfections are the result of a combination of circumstances.

a. Not all of the disruptions are attributable to the urgencies of Vietnam or Africa, although most arise from overseas needs.

b. Because a large number of Finance personnel cannot (or at least do not) serve overseas, Finance operates not one rotational mechanism but a series of independent, closed-cycle systems among which there is limited interchangeability. For example, the man destined for overseas assignment ideally should first serve in the headquarters element of the parent Operating Division to familiarize himself with the finance operations of that division. This is not often done. In our last survey of an Operating Division we found that none of its headquarters Finance personnel was rotatable to any of its overseas stations.

c. The reluctance of Finance careerists to accept overseas assignments because of the effect such assignments have

S E C R E T

on promotion prospects (a subject of which we have spoken earlier) further shrinks an already limited rotational base.

d. The tendency toward specialization within the Office further erodes the rotational base by creating a body of experts much in demand for technical Finance jobs but who do not develop the broader skills required of the field finance officer to whom the chief of station may look for advice on any of his finance problems.

33. The list of contributing factors could be extended, but it would only recapitulate much of what we have already said about the consequences of the managerial style of the Office of Finance. The lack of flexibility in the management of the Career Service, which is manifested in many ways, is perhaps most noticeable in the administration of the rotational mechanism. The crash requirement, which will always be with us, disrupts the rotational pattern, and Finance does not have the organizational or manipulative resilience needed to bring it smoothly back into shape.

34. An additional complication is the loss of productivity from the man at each end of his rotational assignment away from the Office of Finance. This loss of working time further aggravates the problems of the SF Career Service in providing personnel from a relatively small base of qualified and rotatable employees. It is

S E C R E T

not a problem unique to Finance, however. Other components suffer similarly, and in most cases the loss of working time must be absorbed by headquarters.

35. The prospects for the near future are that management of the rotational pattern will be even more difficult than it is now. Faced with a cut in his personnel ceiling, the Director of Finance has chosen to abolish his Development Complement rather than to cut positions from his Staffing Complement. The consequence of this decision would appear to be an even more pronounced lack of flexibility in personnel planning. The concept of the Development Complement derives from recognition that the Staffing Complement, because of its relatively fixed composition, cannot easily accommodate a work force that is heavily transient. A Development Complement is not a substitute for long-range planning of personnel assignments, but it does provide a way of moving personnel laterally without a perpetual rejugling of position assignments. We do not say that it is impossible to manage rotation of personnel without a Development Complement, but we view the Development Complement as something appreciably more than an administrative convenience. Without it, personnel planning in Finance seems destined to become even more a creature of the T/O than it now is.

36. We see as one of the major problems facing the Director of Finance the need to create a work force with a composition such that

S E C R E T

it can meet the varying needs of the present and, as a corollary,
build the broadly-based talents essential to future management of
the Career Service. The Career Service is now populated with an
unduly large number of persons with narrow skills of limited
utility, and the trend in the Service appears to be toward perpetua-
tion of that pattern. Change will not come easily or quickly nor,
we might add, of its own volition. What is required is a deliberate
and a diligently-pursued effort to recast the Finance Career Service
mold so as to attract personnel with potential for growth and to
furnish them the incentive and the opportunity to develop their
native talents. Only in this way can the rotational base be
expanded sufficiently to permit the Director of Finance to meet
any reasonable need that may be levied upon him.

It is recommended that:

No. 7

The Director of Finance prepare and submit to the
Deputy Director for Support for approval a phased program
for broadening the rotational base of the Finance Career
Service over the next five years, for providing flexi-
bility to meet contingency requirements, and for ensuring
orderly planning and control of the rotational cycle. //

We think it appropriate to add the additional comment that it may
be possible to devise and to administer such a program in the
absence of a Development Complement, but if that mechanism is
abolished, some other means of providing flexibility must be found
as a substitute.

S E C R E T

Re-evaluations of Custodians of Funds

37. Since July 1964 whenever an officer is selected for designation as principal custodian of funds at a Class A station or in the Monetary Division of the Office of Finance he is re-evaluated as to his suitability for such responsibility. The Offices of Security, Medical Services, and Personnel jointly conduct these re-evaluations and records of the results are maintained in the Special Activities Staff of the Office of Personnel.

38. The bulk of our installations abroad are not designated as Class A stations. At the Class B and Class C stations the chief of station is the official custodian of funds, but he rarely is the person who is physically in charge of the funds, who disburses them, and who maintains the station's financial records. This usually falls to the lot of the administrative officer, the administrative assistant, or a secretary. The station's administrative officer, if it has one, may be a Support Services careerist; but usually the finance job at the smaller station is handled by a Clandestine Services careerist. Nominations of these personnel for overseas assignment are reviewed by the Overseas Candidate Review Panel, the composition of which is essentially the same as the panel that re-evaluates personnel for assignments as custodians of funds at Class A stations. The Overseas Panel, however, in

S E C R E T

evaluating information relating to suitability for overseas assignment, ordinarily does not know that the candidate will have responsibility for handling funds--except as the likelihood that the individual will have that duty may be inferred from the job title.

39. We believe that offices nominating employees for overseas assignment should be required to identify to the Overseas Candidate Review Panel those whose duties will include functioning as a station finance officer. Available information, which might not support a recommendation against overseas assignment, might well be evaluated as indicating the undesirability of charging the individual with control of funds. Further, we often find in our inspections of overseas stations that the person who handles finance in addition to other duties is poorly qualified for the finance aspect of the job, either by experience or by training--especially the latter. We believe that a determination that the candidate either had already received adequate finance training or was scheduled for it is within the charter of the Overseas Candidate Review Panel.

It is recommended that:

No. 3

The Deputy Director for Support instruct the Director of Personnel to explore with the Deputy Director for Plans the feasibility of establishing, within the existing framework of the Overseas Candidate Review Panel, a mechanism for re-evaluating the suitability of personnel nominated for assignment to duty as finance officer at a Class B or Class C station--to include a determination that the candidate is or will be properly trained in finance procedures.

S E C R E T

S E C R E T

The Role of the Support Staff in Personnel Management

25X9 40. The Support Staff of the Office of Finance has a T/O of
25X9 [] positions. [] of the slots are allocated to the Registry
25X9 Unit, and the other [] compose what we would term the actual
support element of the office. [] are designated
as clerical positions. Of the [] professional positions, we
found only two filled by permanent assignments at the time of our
inspection, and one of those was the position of Records Administra-
tion Officer. The Support Staff is actually run by the GS-13
administrative officer, an SF careerist. She has been in the
position for years, has the shop well organized, and gets the
job done with a minimum of wasted motion.

25X9

25X9

41. All of the Support Staff positions carry an SF service
designation on the Position Control Register, and at the time of
our inspection all of the incumbents were SF careerists. The
position of chief, GS-14, was temporarily filled (for a period
of several months) by one of the division chiefs on detail. The
Support Career Service was to provide an officer for assignment as
Chief of Support, and we learned while this report was being written
that the nominee had been accepted and had moved into the job.

42. This is a quite small support element for an office as
large as Finance, especially in view of the complexities of
administering a Career Service in which half of the personnel are

S E C R E T

on rotational assignments away from the parent office. Although comparatively small, the staff is probably large enough (if all positions were filled) to carry out the responsibilities given it. In most respects the support job appears to be handled extremely well.

43. We question, though, whether the Support Staff of the Office of Finance makes the sort of contribution to planning and execution that one finds in most other Agency components. The support element must be an instrument of command, but it also should have the capacity to influence command decisions by infusing ideas drawn from knowledge of or experience with other ways of doing things elsewhere in the Agency. The Director of Finance has stated that he wants to upgrade the role of his Support Staff. We think it is worth a try.

44. We also believe that the Director of Finance should carry the revamping of his Support Staff one step further by establishing a position for a personnel officer and by having an experienced personnel specialist assigned to it. The complexities of administering the quite large and rotating Finance Career Service amply justify the assignment of a full-time personnel officer.

S E C R E T

It is recommended that:

No. 9

The Director of Finance:

- a. Assign to his Chief of Support responsibility, subject to review and concurrence by the Deputy Director of Finance, for planning and administering the rotational program of the Finance Career Service and for supervising those other aspects of personnel management that are commonly delegated to a chief of support.
- b. Establish the position of Personnel Officer within the Office of Finance.
- c. Request the Director of Personnel to furnish a personnel specialist to fill the position.

S E C R E T

S E C R E T

RECORDS MANAGEMENT

1. The Office of Finance is the repository for the Agency's financial records. The accumulation of these records over a period of several years has created file holdings of almost unmanageable size. The resulting records management problem is of serious concern to the Office of Finance, but it is a problem that is not Finance's to solve.

2. Government financial records may be destroyed only upon authorization by the General Accounting Office (GAO), and such destruction authorization is given only after GAO has audited the records. For years prior to 1960, Finance had a destruction plan that permitted the scheduled destruction of records that were no longer required for current operations. The last GAO audit was made in 1960; hence, there is no authorization to destroy records that have accumulated since 1960.

3. The General Counsel is working with the newly-appointed Comptroller General to develop a destruction plan and is hopeful that, with the assistance of the Chairmen of our Congressional Committees, an approved schedule of destruction can be established. Until that is done, Finance has no alternative but to live with its unwieldy mass of records holdings.

S E C R E T

FINANCIAL TRANSACTIONS - PROCESSING AND RECORDS

1. In our last survey of an Operating Division of the Clandestine Services, we observed certain anomalies during our inspections of its field stations that led us to believe there was need for streamlining the Agency's mechanisms for financial administration. At one station, for example, which had a full-time finance officer with clerical assistance and averaged only five or six vouchers per day, it took an audit to discover that the accounts were \$50 short. At another station with two full-time finance officers, the auditor reported that overall controls at the stations were generally adequate, but he then went on to make 17 recommendations for correcting 21 identified failures to comply with established financial procedures. Our conclusion was that something is wrong with the system or with the people administering it.

2. We examined the procedural aspects of financial operations at headquarters in this survey to see if the previously-observed complexities were unique to field financial operations or whether they were a reflection of the operation as a whole. The procedures we find in use at headquarters are essentially as follows:

Authorization

The transaction (travel, purchase, operation, or other) must be authorized--either orally or in writing. If in

S E C R E T

writing, as is usually the case, the authorization must be typed in multiple copies, signed, logged, retention copies filed, and the remainder routed.

Advance

If an advance of funds is authorized, that authorization must go through the same steps.

Obligation

An essential accounting step is the establishment of an obligation on the records of the component to which the transaction is to be charged.

Performance

The authorized transaction is performed and often requires the keeping of detailed records to support the claim for payment.

Claim

The person performing the transaction submits his claim for payment in writing. Again this must be typed, signed, logged, filed in part, and routed--again in multiple copies.

Approval

The claim for payment must be approved, often by the officer authorizing the transaction, and again requiring signature.

S E C R E T

Review

The claim is then reviewed by an auditor, either in the Office of Finance or in a component to which reviewing authority has been delegated. Review involves checking the claim against the original authorization for the transaction. If purchase of goods or services is the basis of the claim, a check must be made to insure that they have been received as ordered. Another signature is required.

Certification

The claim is then certified for payment by a certifying officer, involving another signature and more logging, filing, and routing.

Payment

The papers then go to Monetary Division or to one of its disbursing officers for payment. If the claim is paid by check or if a bank deposit is required, there is additional typing, signing, logging, filing, and routing required.

Review

The voucher then goes to the Accounts Division where it is reviewed for accuracy and completeness.

Recording

The payment is then recorded in the general ledger accounts. It may be broken down among several accounts and find its way

S E C R E T

into a number of cost centers and into reports of various kinds under the system of processing now followed.

Filing

Record copies of documents related to the transaction are filed in the Office of Finance Registry.

Post Audit

Records may be post audited by the Audit Staff, depending upon the type of audit being conducted.

Storage

Records ultimately go

25X1

where they are stored and guarded for up to 12 years. In some cases they may be retained even longer.

Destruction

Records are finally destroyed under appropriate authorizations. Records of destruction are typed, signed, logged, and filed.

If in the course of these approvals, reviews, audits, etc. an error is found or an element in a transaction is questioned, the papers are returned to the proper point in the sequence for revision and for repeat routing through the balance of the chain. Frequently these questioned transactions can be clarified only by the writing of memorandums, telephone calls, or holding meetings. We have no

S E C R E T

good figures on the volume of such defective transactions but we were given estimates ranging from a low of 10 percent to a high of 20 percent.

3. The Chief of Finance's Accounts Division reports that his division processed 94,200 vouchers in FY '66. A voucher may represent a single transaction or it may cover dozens of accountings of a Class A field station. An average of two claims to a voucher is probably a reasonable estimate. At an average of \$25 per claim in processing costs, which is also probably a reasonable estimate, we are speaking in terms of something like \$4.7 million as the annual cost of doing the paperwork involved in paying the claims processed through the Office of Finance.

4. This seems to us a very high premium to pay for insurance of the integrity of claims processing. If the estimates on percentage of error are close to actual experience factors, then it would seem that we have a mechanism too complex for operation by those engaged in administering it. It may be that the system cannot be simplified--that the checks and balances are essential to detect and to eliminate error. It is our distinct impression, however, that the mechanism is error-prone in part because of its sheer unwieldiness. The Study of the Procurement Systems of the Central Intelligence Agency, which was made by a firm of specialists under Agency guidance, made numerous recommendations for improved efficiency

S E C R E T

of procurement operations. We believe that a similar study by a group of comparable specialists of financial paper processing and record keeping would be well worth the cost of the study.

It is recommended that:

No. 10

The Deputy Director for Support hire on a one-time contract basis a systems expert or experts qualified to make a time, motion, and systems-improvement study on the processing of financial transactions and the keeping of financial records within the Agency.

S E C R E T

25X1

Approved For Release 2003/04/29 : CIA-RDP84-00780R002100170026-5

Next 1 Page(s) In Document Exempt

Approved For Release 2003/04/29 : CIA-RDP84-00780R002100170026-5

S E C R E T

departure, the Director of Finance should consider combining functions that are now distributed among small, difficult-to-keep-staffed units. The reconstitution of the Financial Analysis Staff with responsibility for both analysis and liaison seems to us a good way of accomplishing this.

It is recommended that:

No. 11

The Director of Finance re-establish the former Financial Analysis Staff of the Office of the Comptroller by merging the various analytical operations now being performed in the Office of Finance, combining them with the liaison function, and charging the Financial Analysis Staff with responsibility for devising and pursuing an effective financial analysis program.

S E C R E T

S E C R E T

INDUSTRIAL CONTRACT AUDIT

1. The purposes of industrial contract audit are to assure that a contractor is financially responsible and able to perform the work; that his accounting system and records are adequate; and that his charges to the Agency are fair, reasonable, and in accordance with government procurement regulations. The principal user of the services of Finance's Industrial Contract Audit Division (ICAD) is the Procurement Division of the Office of Logistics.

2. The Study of the Procurement Systems of the Central Intelligence Agency concluded that ICAD's audit procedures are generally sound; however, the report recommended that an industrial engineer be assigned to ICAD to insure "proper cost analyses" especially of hours of labor and of material costs. The report also noted that contracting officers could override ICAD's recommendations "without proper sign off" and that ICAD was "experiencing unnecessary misunderstandings with some contractors concerning its authority to perform post audits of Firm Fixed Price contracts."

3. At the time of this survey of the Office of Finance, we found ICAD preparing to implement the recommendation that a team approach be used in negotiating contracts--consisting of a technical representative of the using component, a contracting officer from the Office of Logistics, and an auditor from ICAD. To this

S E C R E T

end, ICAD proposes to assign "liaison auditors" to one or more DD/S&T components, to the Technical Services Division of the Clandestine Services, to the National Photographic Interpretation Center, and to the Office of Communications. This seems to us a sound approach although we recognize that a number of problems remain to be worked out before the team concept is actually in operation.

S E C R E T

S E C R E T

PROCESSING OF TRAVEL CLAIMS

1. We examined the problems of processing travel claims quite closely. The Inspector General, over the years, has been the recipient of a number of complaints or of appeals of settlement of claims, which upon investigation appeared to have arisen from defects or ambiguities in interpretation of travel entitlements. Our concern was intensified when we discovered the costs of processing routine claims and the sometimes phenomenal costs of settling those that deviate from the ordinary. We found, to our regret, that this subject is far too broad to be dealt with adequately in the framework of an inspection of the Office of Finance. Accordingly, we will limit ourselves here to a ventilation of some of the problems that are in need of attention and to proposing the creation of a mechanism to examine them in minute detail and to arrive at workable solutions.

2. A staff study made by the Office of Finance in 1962 concluded that some, although not all, of the processing of travel claims could be handled centrally with a net gain in efficiency. The result was the establishment in 1964 of the Central Travel Branch of Finance's Certification and Liaison Division. Central Travel Branch currently provides advice and assistance to travelers returning from overseas; assists in finding answers to difficult

S E C R E T

questions relating to preparation of travel claims; audits and certifies vouchers relating to travel, transportation, and storage of effects; handles and accounts for government travel request forms; processes carrier billings; and handles a number of other matters relating to travel. During the 12-month period ending 31 March 1967, Central Travel processed over 30,000 transactions of which about 20,750 were claims for travel, transportation, and storage of effects.

3. Central Travel Branch processes only part of the travel claims generated within the Agency. We were unable to find any reliable statistics on the total number of claims handled by the Agency per year, but we think it likely that Central Travel is close in its estimate that there are at least as many handled outside of Central Travel as there are handled by Central Travel. Likewise, there are probably as many people involved in the processing of travel claims outside of Central Travel Branch as there are working in Central Travel--and perhaps a good many more. The exclusions from Central Travel Branch cognizance include:

- a. Invitee travel is handled by the Central Processing Branch of the Office of Personnel.
- b. OSA handles travel of all of its personnel.
- c. Elements of the Clandestine Services, both at headquarters and in the field, process travel claims involving

S E C R E T

PCS staff travel to the field and all travel of staff agents and of non-staff Clandestine Services personnel.

Central Travel Branch estimates that the average cost of administering a travel transaction, from preparing the travel order to paying a claim, is \$25 to \$30--and this is in addition to the amount of the claim itself. If the settlement is contested by the traveler, the processing costs can mount to hundreds or even thousands of dollars on a single claim. Thus, if there are some 40,000 transactions a year, we are speaking in terms of processing costs on the order of \$1 to \$1.2 million per year. In the following paragraphs we enumerate and briefly discuss what we see as the main problem areas in travel processing.

Travel Regulations and Handbooks

4. Agency regulations are the basic medium for prescribing directives of a continuing nature; they prescribe policy, establish organization, delegate authority, and assign responsibilities. Agency handbooks supplement regulations by providing the detailed procedures necessary to effect Agency policies. The Agency's regulatory issuance on travel, [] seems to fit neither category. It goes far beyond the mere prescription of policy and stops well short of providing detailed guidance on the procedural aspects of travel. We once had a true handbook on travel []

25X1

25X1

S E C R E T

but it was rescinded in 1958. Nothing has since appeared to take its place, and we can find no one now seriously concerned with drafting a revision.

5. Keeping our regulatory issuances on travel current is difficult in the face of frequently-changing government policies on which they are based. Even acknowledging this difficulty, our internal mechanism for establishing and promulgating policies and procedures on topical subjects such as travel moves very slowly. For example:

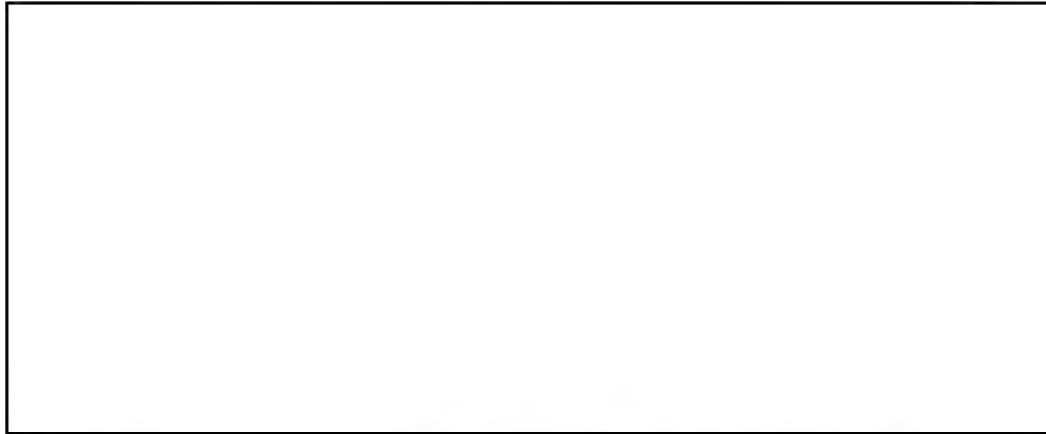
a. Public Law 89-516, which was approved on 21 July 1966, amended the Administrative Expenses Act of 1946 as regards travel and transportation expenses of civilian officers and employees.

b. The Director of the Bureau of the Budget, under authority delegated to him by the President, issued Circular No. A-56 on 12 October 1966 revising regulations then in effect. The "applicability" paragraph of the circular specifies that these regulations shall not apply to officers and employees transferred in accordance with the provisions of the Central Intelligence Agency Act of 1949, as amended.

c. The Agency on 15 March 1967 published a notice that expires on 1 April 1968. The notice states that

25X1

SECRET



25X1

d. [redacted] includes a list of "special determinations"

made for applying the provisions of the Circular "pending

publication of a revision of Part I of Attachment 3 to [redacted]

25X1

The Policy and Planning Staff of the Office of Finance is

responsible for drafting the necessary revisions of the

regulations but is experiencing considerable difficulty in

coordinating and obtaining concurrences of various interested

components of the Agency on proposed changes.

We might note that the Inspector General has already received complaints of denial of entitlements that are likely to be included in the eventual revision of the regulation.

6. We reviewed a memorandum forwarded from the Chief, Central Travel Branch, to the Chief, Policy and Planning Staff, on 11 January 1967. Its subject was "Proposed Changes to Agency Travel Regulations." The memorandum was prepared, reportedly at the request of the Deputy Director of Finance, to summarize defects in or omissions from

SECRET

25X1

Approved For Release 2003/04/29 : CIA-RDP84-00780R002100170026-5

Approved For Release 2003/04/29 : CIA-RDP84-00780R002100170026-5

S E C R E T

be collected now requires the personal sign-off of the Deputy Director for Support.

d. There is virtually nothing in the regulation on the use of and accounting for government travel requests.

e. There appears to be a regulatory void on approving continuing advances (so-called revolving accounts) for travel. This once was covered in regulation, and probably adequately, but it disappeared in 1964 and has never been replaced.

f. The reporting of leave while in travel status has been troublesome for years (and the source of much ill feeling on the part of travelers). The Chief, Central Travel Branch, reports that he now has a written directive from the Director of Finance on this subject, but it is for his own guidance and has not yet been incorporated into a procedural issuance.

Authoritative Decisions on Questions Concerning Travel

7. There is no single point in the Agency to which technical questions on travel and transportation may be directed for an authoritative answer. Many of these questions are directed to Central Travel Branch, but its findings are only advisory. The findings may be appealed (and often are) to a variety of officials in hopes of reversal. We find appeals having been made to the SSA/DDS, the General Counsel, the Director of Personnel, the Deputy

S E C R E T

Director for Support, the Inspector General, and the Executive Director-Comptroller. Many of these claims involve very small sums of money but may cost hundreds or thousands of dollars in senior officer time before they are finally settled. There are and will continue to be claims in which a specific voucher is used as the vehicle for establishing a general principle, but there is no central point designated as the repository of these decisions of principle. In its absence, there will continue to be appeals and reappeals on matters already authoritatively decided in a claim involving some other component.

8. The particularly troublesome cases are those arising from provisions of Agency regulations that may be interpreted either for or against the claimant and which, legally, could be decided either way. Even a patently unreasonable claim is often difficult to disprove--and to make the proof stick. These are a few of the many examples that could be cited of claims that have tied us in knots because of the lack of an effective mechanism for adjudicating them.

a. A claim by [] involving about \$500 and one by [] involving \$183.05 cost thousands of dollars in time and in cable and dispatch costs before final decisions were reached.

25X1

S E C R E T

b. Two cases [] involving return travel from the Far East by way of Europe have been under appeal and review for months and are still unresolved.

25X1

c. A claim for approximately \$100 by a senior employee for per diem while attending a Civil Service school at College Park, Maryland, in November 1966 has cost the Agency several times that amount in reviewing it, has required decisions from the General Accounting Office, and was finally settled after about ten months.

Some of the claims we examined, particularly the last one cited, seem to us of doubtful validity. The point is that the employees concerned believe them valid, and there is no formally established entity to which the employee may be directed to turn for authoritative advice and on which the Agency may rely for arriving at final decisions.

9. The Department of Defense has such a mechanism in its travel policy committee. From what we can learn of the workings of the committee, it appears to be quite effective. We reviewed an employee suggestion that such a committee be established within CIA. The suggestion was not accepted. The turndown, which was dated 10 May 1966, appears to us not very responsive to the basic problems raised.

S E C R E T

Disparate Practices in Paying for Travel and Per Diem

10. There is little uniformity within the Agency on payment for travel and of per diem at rates less than the established maximums. These are some examples:

a. The Chief, FE Division, issued a written instruction, applicable to all Agency travelers, on the per diem rate at
[redacted] limiting it to \$9 less 35 percent for quarters furnished. Central Travel Branch tried to hold all personnel visiting that installation to the established rate. It succeeded until a senior officer of the Office of Finance claimed a \$16 per diem. The Director of Finance chose to interpret the FE directive as applying only to employees of FE Division and approved his officer's claim for the higher rate.

b. The Chief of the Support Staff, Office of Training, issued a memorandum dated 20 April 1967 stating that "the rate for a round trip by POV between headquarters and [redacted] is \$36.00." Again, this has been interpreted as applying only to OTR personnel. Employees of other Agency components visiting [redacted] are paid at varying rates as approved by their parent components.

c. A meeting was recently held at the [redacted]
[redacted] for briefings on new communications equipment.

S E C R E T

Representatives of all directorates attended. Each directorate reimbursed its employees at a different rate than the rates of the other three directorates--this despite the fact that all representatives traveled to the same point, spent the same amount of time there, ate the same meals, and shared similar quarters.

d. In a recent inspection of the overseas stations of an Operating Division of the Clandestine Services we found mileage being paid at rates ranging from a low of 6¢ to a high of 12¢ at stations among which there was little difference in the costs of operating a vehicle.

The approvals illustrated in the above examples allowed reimbursements ranging from "a little out of pocket" to "all that the law will allow." We are unable to see the rationality in a system that permits such extremes to exist side by side within a single agency.

Conclusions Concerning Travel Processing

11. We saw evidence of much confusion and a great deal of lost time resulting from lack of familiarity with changes in travel regulations, new travel forms, and the like. This is understandable in view of the lack of detailed guidance in regulatory issuances. We considered suggesting that the Office of Training be instructed to

S E C R E T

offer a brief course on travel, which could be kept up to date by periodic refresher courses. We abandoned that line when we learned that the course once offered on Travel Procedures was discontinued a couple of years ago because of a dearth of students.

12. What is the answer then? We think it lies in a well ordered and vigorous attack on the whole range of problems associated with travel processing. There have been sporadic attempts at improving efficiency, and some of them have been quite successful. The establishment of Central Travel Branch is a good example. Another is the resort to commuted travel, although this still is applicable in only a few areas. We believe it would be possible to extend commuted rates to cover most travel. The Office of Finance has tried to find more efficient ways of processing vouchers. One venture involved auditing only a statistical sample of vouchers under \$100. It was found that this approach was more expensive in senior auditor and supervisory time than auditing all vouchers.

13. We discussed with O/FPB the merits of a cost analysis of present travel processing procedures and of an organized study of the feasibility of broadening the applicability of commuted travel. O/FPB representatives stated their belief that the dimensions of the problem are such as to indicate the desirability of such studies. The press of other more urgent business has precluded O/FPB taking on the task. We believe that such studies are past due. The

S E C R E T

problems we encounter in travel processing are chronic, and they are unlikely to be eliminated or even reduced substantially by our present slow-moving apparatus.

14. There exists in Central Travel Branch a small nucleus of technical experts who have literally made study of travel practices their major career pursuit. We consider them entirely competent to make the studies proposed in the preceding paragraph and to provide the technical input essential to the effective operation of a travel policy committee, which we are convinced the Agency needs.

It is recommended that:

No. 12

The Deputy Director for Support prepare and submit to the Executive Director-Comptroller for approval a proposal for the establishment of a CIA Travel Policy Committee, to which should be assigned responsibility for:

- a. ensuring that Agency travel regulations and practices are in accordance with applicable laws and with the implementations and interpretations thereof;
- b. analyzing Agency practices with respect to travel with a view toward improving efficiency, reducing costs, and eliminating inequities in application of regulations;
- c. providing authoritative guidance, both to the claimant and to those processing the claim, on questions pertaining to travel; and
- d. adjudicating disputed claims.

25X1

Approved For Release 2003/04/29 : CIA-RDP84-00780R002100170026-5

Next 4 Page(s) In Document Exempt

Approved For Release 2003/04/29 : CIA-RDP84-00780R002100170026-5

S E C R E T

10. On the basis of these figures, after paying out \$71.5 million to annuitants, the fund will still have an invested principal of \$76.8 million and FY 1980 will be the first year in which this principal will have to be drawn upon to meet expenses. These estimates are, of course, subject to many variations but it does appear reasonably certain that for the next several years the fund will have excess money to invest and a long-range investment program should be established.

11. The present system for investing excess funds is for the Chief of the Compensation and Tax Division to notify Monetary Division that funds are available for investment after providing any necessary reserve for annuity payments and expenses. Monetary Division looks up the current over-the-counter prices of eligible securities and selects those with the most attractive yields. Not having an actuarial projection of future fund requirements, they are not in a position to make firm recommendations as to specific maturity dates but do try to distribute their maturities over a fairly broad range. These selections are discussed with their Treasury Advisor, a cleared contact in the Investment Branch of the Treasury Department to whom the Secretary of the Treasury has delegated his responsibility under P.L. 88-643 for approving all investments made by the fund. With the advisor's concurrence, an investment recommendation or a list of recommended issues to choose

S E C R E T

S E C R E T

from is forwarded to the Director of Finance for his approval. The approved purchase order is then forwarded to Treasury, which executes the order in the over-the-counter market and delivers the securities to the Federal Reserve Bank of New York for safekeeping.

12. To assure the prompt reinvestment of the interest received on the fund's investments, arrangements have been made with Treasury to automatically re-invest all such interest on the day it is received in Treasury. The Director of Finance has delegated to Monetary Division the responsibility for selecting the Treasury issue to be purchased after consultation with their Treasury Advisor and for entering the purchase order with Treasury in advance of the receipt of funds.

13. An Office of Finance Instruction prescribing procedures for administration of the fund has been in preparation for several months but was not yet out for coordination at the time of our inspection. We reviewed an early draft and found that the procedures proposed for processing investment transactions approximated the system outlined above. Even though the existing system may be very close to that which is eventually approved, we believe it important that the procedures be formalized in an agreed and approved written instruction at the earliest possible date. Regarding the future requirements of the fund and the optimum investment program, the following section from PL 88-643 is pertinent:

S E C R E T

"Sec. 261. The Director shall prepare the estimates of the annual appropriations required to be made to the fund, and shall cause to be made actuarial valuations of the fund at intervals of five years, or oftener if deemed necessary by him."

14. In June 1965 the Secretary of the Treasury, in response to a request from the Director of Central Intelligence, agreed to make available to the Agency the services of Mr. Cedric W. Kroll, Government Actuary, who has been providing actuarial service for the Foreign Service Retirement and Disability Fund for several years. We have discussed with Mr. Kroll the present status of our fund and the need for an actuarial valuation. He believes that we can assume that the actuarial experience of our fund will be so close to that of the Foreign Service Retirement and Disability Fund that we could apply their actuarial rates to our participating personnel and develop a useful projection of the expected annuity demands. The Director of Personnel states that his office can provide the necessary statistics regarding ages, grades, salaries, years of service, and age of dependents for all participating personnel, both active and retired. As required by Sec. 261 quoted above, an actuarial valuation will have to be made before October 1969, and we believe the projection of annuity requirements suggested by Mr. Kroll would be worth making at this time.

15. As regards a long-range investment program for the fund, the above-mentioned projection will provide some guidelines as to

S E C R E T

which bond issues should be purchased for the fund during the next several years during which receipts can be expected to exceed payments by rather wide margins. At Mr. Kroll's suggestion we discussed this problem with his superior, Mr. Edward P. Snyder, Director of the Office of Debt Analysis. Mr. Snyder suggested that, rather than purchase various issues of outstanding government bonds in the open market, we should look into the possibility of arranging for a "Special Issue" for our fund.

16. Mr. Snyder said that a Special Issue can be arranged by administrative agreement, without legislation, and for all practical purposes is an interest-bearing account on Treasury's books in the name of our fund. All "purchases" are at par; interest is calculated from the date Treasury receives the funds; and withdrawals can be made at par as needed. Interest is paid at a negotiated rate based on the amounts involved and the length of time they are expected to remain with Treasury. The Foreign Service R & D Fund has a Special Issue for its investments.

17. Such an arrangement would greatly simplify the accounting and investment problems of our fund; however, we understand that at the time FL 88-643 was being drafted the question of a Special Issue was considered and rejected because of the necessity for publicly identifying the Agency as the holder of the issue and for disclosing the purpose for which it was created. We believe

S E C R E T

that this question should be re-examined to see if some secure arrangement can be worked out to enable us to obtain a Special Issue for our fund.

18. Since it will take some time to obtain the actuarial valuation suggested above, the present system of investing will have to be continued. However, we suggest that Chief, Compensation and Tax Division, establish a definite level (say \$250,000) at which funds in excess of foreseeable requirements will be automatically started through the investment process. According to the Projected Estimate of Fund Activity, there will be no requirement for the withdrawal of any invested funds until 1980. It would therefore seem prudent for Monetary Division to consider only issues maturing after that date.

19. At some future date we might find it possible to turn the administration of this fund over to the Civil Service Commission. This would require legislation and many security problems would have to be solved, but the Government would certainly save money and we would be relieved of accounting, investing, and paying of annuities to former employees and their survivors. The CSC has at present something over 700,000 annuitants on its rolls, and the transfer of our fund would be an insignificant addition to its workload. For cover purposes, we are now using Civil Service forms (envelopes, letterheads, etc.) for communicating with our

S E C R E T

annuitants. The FBI has a special law for certain of its retirees, and these cases are handled through the CSC system. The goal would be to retain the benefits of our Retirement Act but to let the CSC do the bookkeeping for us. We are not prepared to recommend so radical a step so early in our experience with the program, but we do think it an idea that should be kept in mind. It should be noted that a Presidential Committee has recommended that all government retirement systems ultimately be merged, and Legislative Counsel informs us that when our bill was being drafted we were asked to agree that we would go along with any such future merger of retirement systems.

20. Although the procedures during these first few years have been rather informal, we believe that the fund has been adequately administered and is now well invested. However, all our estimates point to an imminent increase from the \$20 million now in the portfolio to about \$36 million--to which will be added an annual surplus of over \$5 million for a number of years to come. The FY 1967 Projected Estimate of Fund Activity predicts a principal fund of \$77 million by 1980, and that sum may well be exceeded. The number of annuitants and their total annual benefits may triple in the next three or four years. These factors point up the need for a more formal method of administering the fund, particularly the long-range investment program. In the section

- 77 -

S E C R E T

S E C R E T

of this report devoted to Information Processing Systems we have a recommendation for the establishment of a single computer system for control of the statistics needed for administration of the fund. The following recommendations are submitted not in criticism of past or present performance but in anticipation of the needs of the future.

It is recommended that:

No. 13

The Director of Finance:

- a. Direct the Chief, Compensation and Tax Division, to initiate investment action whenever surplus funds exceed \$250,000.
- b. Expedite the issuance of the Office of Finance Instruction prescribing procedures for administration of the fund.
- c. Arrange for an actuarial valuation of the fund with the advice and assistance of Mr. Cedric W. Kroll of the Department of Treasury.
- d. Investigate the feasibility of making secure arrangements with the Department of Treasury for a Special Issue for the CIA fund and report his findings and recommendations to the Executive Director-Comptroller.
- e. Prepare an interim investment program for the guidance of Monetary Division based on the Fiscal Year 1967 15-year Projection of Fund Activity.
- f. Prepare a long-range investment program based upon the actuarial valuation recommended in c. above.

S E C R E T

S E C R E T

INFORMATION PROCESSING SYSTEMS

1. A report of survey of the Office of Finance would be incomplete without mention of the applications of automatic data processing to financial operations. This is not a propitious time, however, to inquire in any depth into the extent and appropriateness of programs to computerize financial operations--nor, for that matter, do we consider ourselves qualified to do so. The Support Information Processing Staff (SIPS) is working on an integrated system that will process and supply data on money, manpower, and material of interest to the Offices of Finance, Logistics, Personnel, Training, and Security. The SIPS effort will require many man-years of research; development of user specifications; coordination, analysis, and programming; and development of special equipment. The goal is to have the Integrated Information Processing System in operation by about 1970 or soon thereafter.

2. The Integrated Information Processing System will replace many of the hand-record systems now in operation. Data on property, obligations, advances, retirement, credit union matters, insurance, and perhaps several steps in travel, audit, and certification processes will be handled by computers. It is now envisioned that the system will include a data bank at headquarters which field stations may query electronically, thus eliminating many hand records and manually-performed functions of field finance officers.

S E C R E T

3. From our admittedly limited knowledge of the extent of computer operations elsewhere in government, we have the impression that CIA has been slow in exploiting the full potential of computers. We suspect that one of the main impediments to more rapid progress has been the endless squabbling over who should control what in the computer field. If this is so, then we regret to report that the outlook is not much improved. There is still much squabbling in the form of finger-pointing and name-calling.

a. SIPS is criticized on the grounds that it is:

- (1) Moving too slowly toward its eventual goal.
- (2) Failing to seek the expert outside advice it needs.
- (3) Organizing a historical data bank rather than a forward-looking management information system.*
- (4) Concentrating on its goal of an integrated system in operation in the early 1970's to the exclusion of the needs of the Office of Finance for immediate "patches" on present systems.
- (5) Failing to meet the needs for immediate improvement in data on costs of operations in Southeast Asia.

*"Management information system" is a stock phrase widely in use among those interested in the business applications of computers. The phrase is loosely used and is subject to varying interpretations. We have not had defined for us the kinds of data needed as inputs to such a system, how the system would be composed, and the types of outputs that would be useful to management decision.

S E C R E T

b. The Office of Finance is criticized for failing to provide, within reasonable time limits, information on user specifications and on other proposals being considered for the Integrated Information Processing System.

c. The Office of Computer Services is criticized for:

- (1) Inaccuracies in reports it produces.
- (2) Failures to meet reports production deadlines.
- (3) Obsession with the scientific uses of computers at the expense of needed business applications.

4. There is some validity in all of these complaints: SIPS is moving slowly; Finance is slow in making its contributions to the integrated system; OCS is late in completing Finance reports, and they sometimes are inaccurate; FE Division is hampered by lack of updated costs on operations in Southeast Asia. The Office of Finance does continue to do manually many things that could be computer-manipulated.

5. We doubt, though, that things are as bad as they have been pictured to us. The only Finance operation that appeared to us to be potentially in trouble because of lack of computerization is the handling of records of annuitants under the CIA Retirement and Disability Fund. The subsidiary records on the participants in the CIA retirement system are now kept on computers from data supplied by the Office of Personnel. The records on annuitants and survivors

25X1

S E C R E T

under the CIA system are kept manually in the Office of Finance, and the monthly checks are prepared individually. With only 119 annuitants and survivors on the rolls, two Finance employees can do the job by hand. As the number of annuitants rises, perhaps to the statutory ceiling of 800 by 1974, continued manual administration of the records of annuitants would require a sizeable increase in the Fund staff. We believe that now is the time to combine the records on participants and on annuitants into a single computer system capable of serving the needs of both Personnel and Finance.

It is recommended that:

No. 14

The Deputy Director for Support instruct the Directors of Finance and of Personnel to devise, with the advice and assistance of the Support Information Processing Staff, a single computer program capable of providing all of the statistical information needed for administration of participants in and annuitants of the CIA retirement system.

S E C R E T

Approved For Release 2003/04/29 : CIA-RDP84-00780R002100170026-5

SECRET

Approved For Release 2003/04/29 : CIA-RDP84-00780R002100170026-5

SECRET